HOUSING MARKET INFORMATION

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CANADA MORTGAGE AND HOUSING CORPORATION

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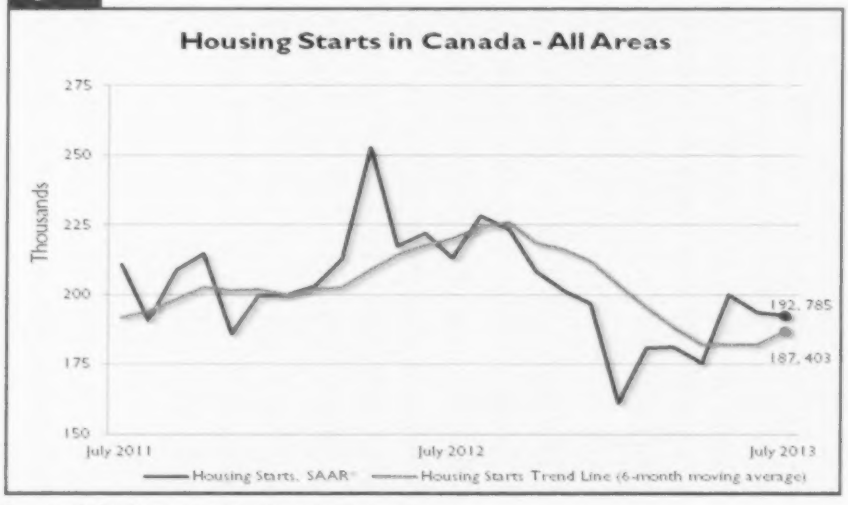
Highlights

- Housing starts were trending at 187,403 units in July compared to 182,141 units in June[1].
- The stand-alone monthly SAAR was 192,785 units in July, relatively unchanged from 193,795 units in June[2].
- The ratio of new and unabsorbed dwelling units to population declined in the second quarter, remaining slightly above the historical average.

Figure 1



Source: CMHC; *seasonally adjusted at annual rates.

[1]The trend is a six-month moving average of the monthly seasonally adjusted annual rates (SAAR) of housing starts. CMHC uses the trend measure as a complement to the monthly SAAR of housing starts to account for considerable swings in monthly estimates and obtain a more complete picture of the state of the housing market. In some situations, analyzing only SAAR data can be misleading, as they are largely driven by the multiples segment, which can be quite volatile.

[2]All starts figures in this report, other than actual starts and the trend estimate, are seasonally adjusted annual rates (SAAR) — that is, monthly figures are adjusted to remove normal seasonal variation and multiplied by 12 to reflect annual levels. By removing seasonal ups and downs, seasonal adjustment makes it possible to highlight the fundamental trends of a series. Reporting monthly figures at annual rates indicates the annual level of starts that would be obtained if the monthly pace was maintained for 12 months. This facilitates comparison of the current pace of activity to annual forecasts as well as to historical annual levels.

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New Home Market

Housing starts in Canada were trending at 187,403 units in July compared to 182,141 in June, according to Canada Mortgage and Housing Corporation (CMHC). The trend is a six-month moving average of the monthly seasonally adjusted annual rates (SAAR) of housing starts. The trend in total housing starts continued to be relatively stable in July, remaining within a narrow range of roughly 182,000 to 188,000 units since March 2013.

Urban starts decreased in July

In Canada's urban centres[3], the seasonally adjusted annual rate of housing starts was 172,974 units in July, a decline of 2.1 per cent from June.

The seasonally adjusted annual rate of single-detached starts in urban areas declined by 5.6 per cent to 58,708 units in July, while urban multi-family starts remained essentially unchanged at 114,266 units.

In rural areas, the estimated seasonally adjusted annual rate of housing starts increased by 16.1 per cent to 19,811 units in July from 17,061 units in June.

Inventories unchanged in July

Inventories of new and unabsorbed housing units[4] stood at 17,369 units in July, essentially unchanged from 17,422 units in June. The inventory of new and unabsorbed single- and semi-detached units stood at 6,999 units in July, compared to 7,029 units in June. However, the marginal change in July (-0.4 per cent) follows relatively large declines in June (-3.0 per cent) and May (-2.0 per cent), thus prolonging a moderating trend for single- and semi-detached new home inventory. Similarly, following a relatively large decline in June of 4.7 per cent, the inventory of new and unabsorbed row homes and apartments registered a marginal change in July (-0.2 per cent), effectively holding at 10,370 units in July compared to 10,393 units in June.

The ratio of the inventory of new and unabsorbed units to population, a simple gauge of potential overbuilding, decreased in the second quarter of 2013 to 5.5 units from 5.6 in the first quarter of 2013, remaining slightly above the 1982Q1 to 2013Q2 historical average of 5.4 units.

Construction intentions decreased in June

Following three consecutive increases, the value of residential building permits for all dwelling types declined in June by 12.9 per cent from May[5]. The decline in the total value of residential permits in June reflected declines in the value of single- and multi-family permits of 7.4 per cent and 18.8 per cent, respectively. The decline in the value of single-family permits followed two consecutive monthly increases, while the decline in the value of multi-family permits followed three consecutive monthly gains.

In June, Canadian municipalities approved permits for the construction of 211,872 new dwellings (annual rate), down 12.2 per cent from May. The number of permits issued for single-family dwellings declined 4.1 per cent to 73,380 units, while the number of permits issued for multi-family dwellings declined 16.0 per cent to 138,492 units.

New Housing Price Index (NHPI) growth steady in June

The NHPI rose by 1.8 per cent in June compared to the same month in 2012, following an indentical year-over-year increase in May. NHPI year-over-year growth has trended slightly lower so far in 2013 relative to 2012, having moderated from an average year-over-year monthly gain of 2.3 per cent in 2012 to an average of 2.0 per cent over the first half of 2013.

Existing Home Market

So far in 2013, activity on the existing home market, as measured by Multiple Listing Service® (MLS®)[6] sales, new listings and prices, have registered positive monthly growth, on average. This follows a period of average monthly declines that held sway over the last half of 2012, when the average monthly growth rates of seasonally adjusted MLS® sales and new listings were negative and average MLS® home prices registered no growth, on an average month-over-month basis.

[3] Urban centres are defined as centres with a population of at least 10,000. CMHC surveys urban centres with 10,000 to 49,999 inhabitants at the end of every quarter. Months that are not at the end of a quarter are estimates.

[4] The level of inventories discussed here is for urban centres with a population of 50,000 and over. The inventory of housing units is defined as a snapshot of the level of newly completed and unabsorbed units at a specific time. A unit is defined as "absorbed" when an agreement is made to buy the dwelling. The definition of this concept was recently updated. Prior to 2013, a unit was defined as "absorbed" when an agreement was made to buy or rent the dwelling. However, data on absorption for multiple dwelling units intended for rent was not always available. Supply conditions in the owner and rental markets are now collected under separate, dedicated surveys (see CMHC's *Rental Market Survey* for rented accommodation and CMHC's *Starts and Completions Survey* for owned accommodation). In addition, the series' name was changed from "newly completed and unoccupied" to "newly completed and unabsorbed" as a result of the move towards counts based on the existence of a binding contract.

[5] Statistics Canada conducts a building permits survey among 2,400 municipalities. These permits measure construction intentions and can serve as indicators of future starts.

[6] Multiple Listing Service (MLS®) is a registered trademark owned by the Canadian Real Estate Association.

MLS® sales essentially stable in July

In July, the seasonally adjusted annual rate of MLS® sales essentially held steady at 470,340 units compared to 469,548 units in June.

Seasonally adjusted MLS® sales have registered an average monthly increase of 1.5 per cent over the first seven months of 2013. This contrasts with an average monthly decline of 1.2 per cent over the last half of 2012.

MLS® new listings declined slightly in July

The seasonally adjusted annual rate of MLS® new listings registered a slight decline of 0.4 per cent in July to 870,576 units from 874,320 units in June.

MLS® new listings have registered positive monthly gains so far in 2013, rising by an average monthly rate of 0.5 per cent. This follows an average monthly decline of 0.9 per cent in the latter half of 2012.

Market conditions tightened in July, but remained balanced

An indicator of price pressure in the existing home market is the sales-to-new listings ratio[7]. New listings are a gauge of the supply of existing homes, whereas MLS® sales are a proxy for demand. In July, the sales-to-new listings ratio increased to 54.0 per cent from 53.7 per cent in June. As a result, while the sales-to-new listings ratio remained in balanced market territory in July, it moved closer to the 55.0 per cent threshold between a balanced and a sellers' market (see figure 2).

Figure 2

Data are seasonally adjusted and annualized, and cover Canada's major markets
Sources: CMHC, Canadian Real Estate Association (CREA), MLS
Last data point: 2013M07

Market conditions have generally been at the high end of the range of balanced market conditions since November 2011. Trends in MLS® sales and new listings have broadly mirrored each other over that period, thus maintaining balanced market conditions.

Resale market prices increased in July

The national seasonally adjusted average MLS® price registered a gain of 1.9 per cent in July to $384,453 from $377,346 in June. As well, the unadjusted average MLS® price increased by 8.4 per cent to $382,373 from $352,673 a year before.

This positive trend has also been reflected by the MLS® Home Price Index[8], which registered a sixth consecutive month-over-month increase in July. The MLS® Home Price Index, which uses statistical techniques to control for changes over time in the types and quality of homes sold, rose by 2.7 per cent from July 2012 to July 2013 in the markets covered, following a gain of 2.3 per cent between June 2012 and June 2013. The index rose by 0.1 per cent in July 2013 from the previous month, identical to the increase registered in June.

Teranet-National Bank Composite House Price Index increased in July

The Teranet–National Bank Composite House Price Index™[9],

[7] Taking the Canadian MLS® market as a whole, a sales-to-new-listings ratio below 40 per cent has historically accompanied prices that are rising at a rate that is less than inflation, a situation known as a buyers' market. A sales-to-new-listings ratio above 55 per cent is associated with a sellers' market. In a sellers' market, home prices generally rise more rapidly than overall inflation. When the sales-to-new-listings ratio is between these thresholds, the market is said to be balanced.

[8] The MLS® Home Price Index is based on single-family, townhouse/row, and apartment unit sales activity in Greater Vancouver, the Fraser Valley, Calgary, Regina, Greater Toronto and Greater Montréal.

[9] The Teranet-National Bank House Price Index™ is based on housing sales activity in 11 markets, including Halifax, Québec, Montréal, Ottawa-Gatineau, Toronto, Hamilton, Winnipeg, Calgary, Edmonton, Vancouver and Victoria.

which also uses statistical techniques to control for changes in the types and quality of homes sold over time, posted a 1.9 per cent increase in July from the same month in 2012, similar to the rate observed in the previous three months.

The index posted a gain of 0.7 per cent in July from June, the fifth consecutive increase following a period of consistent declines registered from September 2012 to February 2013. These price developments are consistent with the MLS® Home Price Index.

Economic conditions

According to Statistics Canada, employment was up by 1.3 per cent in July (+225,900 jobs), when compared with the same month in 2012. Full-time employment recorded an increase of 1.1 per cent when compared to the same month a year before (+153,900 jobs), while part-time employment saw a year-over-year gain of 2.2 per cent (+72,000 jobs).[10]

On a monthly basis, employment declined in July by 0.2 per cent when compared to June 2013, following the observation of no growth between May and June of this year.

Statistics Canada's Consumer Price Index rose by 1.3 per cent in the 12 months leading up to July, following an increase of 1.2 per cent in the 12 months leading up to June. Core inflation, which excludes the eight most volatile items and the effect of changes in indirect taxes, rose by 1.4 per cent in the 12 months to July, following a 1.3 per cent increase in June. This latter measure is used as a predictor of future overall inflation.

On July 17, the Bank of Canada announced that it would maintain the target for the overnight rate unchanged at 1.0 per cent. The Bank stated that *"As long as there is significant slack in the Canadian economy, the inflation outlook remains muted, and imbalances in the household sector continue to evolve constructively, the considerable monetary policy stimulus currently in place will remain appropriate. Over time, as the normalization of these conditions unfolds, a gradual normalization of policy interest rates can also be expected, consistent with achieving the 2 per cent inflation target."*

According to the Bank of Canada, the average five-year posted conventional mortgage interest rate among chartered banks held steady at 5.14 per cent in July for a fifth consecutive month. This rate has been relatively stable since June 2012.

The next interest rate announcement of the Governing Council of the Bank of Canada is scheduled to take place on September 4, 2013. ■

[10]The sum of part-time and full-time employment may not equal total employment due to rounding.

This Month's Housing Data (SAAR)

	2012	Q4:12	Q1:13	Q2:13	M05:13	M06:13	M07:13
Housing starts, units, 000s							
Canada. Total. All areas	**214.8**	**203.5**	**175.5**	**185.5**	**199.9**	**193.8**	**192.8**
Per cent change from previous period	10.8	-8.2	-13.8	5.7	13.9	-3.1	-0.5
Canada. Total. Rural areas	**21.3**	**21.6**	**17.0**	**17.3**	**17.4**	**17.1**	**19.8**
Per cent change from previous period	8.5	-2.9	-21.4	2.1	8.0	-1.7	16.1
Canada. Total. Urban areas	**193.6**	**181.9**	**158.5**	**168.2**	**182.6**	**176.7**	**173.0**
Per cent change from previous period	11.0	-8.8	-12.9	6.1	14.5	-3.2	-2.1
Canada. Single. Urban areas	**67.2**	**65.1**	**63.2**	**62.4**	**65.3**	**62.2**	**58.7**
Per cent change from previous period	0.1	-5.0	-2.9	-1.3	1.8	-4.9	-5.6
Canada. Multiple. Urban areas	**126.4**	**116.8**	**95.3**	**105.8**	**117.2**	**114.6**	**114.3**
Per cent change from previous period	17.8	-10.7	-18.5	11.1	23.0	-2.3	-0.3
Newfoundland. Total. All areas	**3.9**	**3.6**	**2.7**	**3.1**	**3.1**	**3.2**	**3.1**
Per cent change from previous period	11.4	-15.8	-24.7	12.6	12.4	3.3	-3.7
Prince Edward Island. Total. All areas	**0.9**	**1.0**	**0.9**	**0.8**	**1.0**	**0.9**	**0.7**
Per cent change from previous period	0.1	-20.2	-4.0	-17.7	122.7	-9.1	-24.1
Nova Scotia. Total. All areas	**4.5**	**5.2**	**4.6**	**3.5**	**5.2**	**2.8**	**4.2**
Per cent change from previous period	-2.6	-4.5	-11.0	-25.0	131.8	-47.0	52.0
New Brunswick. Total. All areas	**3.3**	**2.9**	**3.4**	**2.9**	**3.8**	**4.6**	**2.2**
Per cent change from previous period	-4.4	-13.1	16.3	-15.3	291.6	21.5	-51.7
Quebec. Total. All areas	**47.4**	**45.1**	**35.9**	**38.1**	**39.2**	**35.8**	**36.2**
Per cent change from previous period	-2.1	-7.1	-20.3	6.1	-5.5	-8.6	1.1
Ontario. Total. All areas	**76.7**	**69.3**	**56.7**	**57.9**	**70.2**	**62.3**	**61.5**
Per cent change from previous period	13.2	-11.9	-18.2	2.1	44.9	-11.4	-1.2
Manitoba. Total. All areas	**7.2**	**6.4**	**6.8**	**7.4**	**5.3**	**7.2**	**11.2**
Per cent change from previous period	19.1	-22.4	6.1	8.4	-42.5	36.1	55.1
Saskatchewan. Total. All areas	**10.0**	**11.1**	**6.6**	**7.5**	**7.8**	**8.6**	**8.3**
Per cent change from previous period	41.8	3.2	-40.7	14.3	18.1	10.8	-4.2
Alberta. Total. All areas	**33.4**	**34.5**	**33.7**	**39.2**	**42.4**	**37.9**	**33.6**
Per cent change from previous period	29.9	6.5	-2.2	16.1	6.5	-10.4	-11.4
British Columbia. Total. All areas	**27.5**	**24.5**	**24.0**	**25.3**	**22.1**	**30.6**	**31.9**
Per cent change from previous period	4.0	-14.8	-1.8	5.1	-6.9	38.7	4.3

SOURCE: CMHC, Starts and Completions Survey. All data are seasonally adjusted and annualized. This seasonally adjusted data goes through stages of revision at different times through the yearly cycle resulting in finalization of preliminary data. These revisions take place at the end of each month, quarter and year.

This Month's Housing Data, continued (SAAR)*

	2012	Q4:12	Q1:13	Q2:13	M05:13	M06:13	M07:13
Housing starts, units, 000s							
Canada. Total. Urban areas	193.6	181.9	158.5	168.2	182.6	176.7	173.0
Newfoundland. Total. Urban areas	2.5	2.3	1.7	2.0	1.9	1.9	1.5
Prince Edward Island. Total. Urban areas	0.7	0.6	0.8	0.5	0.7	0.6	0.4
Nova Scotia. Total. Urban areas	3.9	4.7	4.2	3.0	4.6	2.3	3.6
New Brunswick. Total. Urban areas	2.5	2.1	2.8	2.2	2.8	3.3	1.2
Quebec. Total. Urban areas	40.5	38.1	30.0	31.3	32.9	30.0	29.6
Ontario. Total. Urban areas	74.4	66.0	55.0	56.0	68.4	60.4	59.5
Manitoba. Total. Urban areas	4.9	4.1	5.1	5.9	3.7	6.1	8.6
Saskatchewan. Total. Urban areas	7.9	9.6	5.8	6.4	6.7	7.1	6.8
Alberta. Total. Urban areas	30.6	31.8	30.5	36.8	39.9	35.6	30.9
British Columbia. Total. Urban areas	25.5	22.8	22.7	24.1	21.0	29.4	30.8

SOURCE: CMHC, Starts & Completions Survey. All quarterly and monthly data are seasonally adjusted and annualized.This seasonally adjusted data goes through stages of revision at different times through the yearly cycle resulting in finalization of preliminary data. These revisions take place at the end of each month, quarter and year.

This Month's Major Housing Indicators

	2012	Q4:12	Q1:13	Q2:13	M05:13	M06:13	M07:13
New Housing							
New & unabsorbed singles & semis, units 000s	6.7	6.7	7.5	7.0	7.2	7.0	7.0
Per cent change from same period previous year	7.5	7.5	24.7	24.7	26.8	24.7	21.2
New & unabsorbed row & apartments, units 000s	10.7	10.7	10.8	10.4	10.9	10.4	10.4
Per cent change from same period previous year	-17.0	-17.0	10.5	9.9	16.0	9.9	10.1
New House Price Index, 2007=100	108.0	108.8	109.3	109.7	109.7	109.9	n.a.
Per cent change from same period previous year	2.3	2.3	2.1	1.8	1.8	1.8	n.a.
Existing Housing							
MLS® resales*, units 000s	454.5	428.7	427.4	454.2	455.3	469.5	470.3
Per cent change from same period previous year	-1.2	-10.4	-10.3	-3.4	-2.9	2.4	2.9
MLS® average resale price, 000s**	363.4	360.3	367.4	372.8	370.1	377.3	384.5
Per cent change from same period previous year	0.3	0.3	1.1	2.7	2.4	4.7	8.2
Mortgage Market							
Posted 1-Year Mortgage Rate, % (period average)	3.17	3.07	3.00	3.05	3.00	3.14	3.14
Posted 5-Year Mortgage Rate, % (period average)	5.27	5.24	5.21	5.14	5.14	5.14	5.14

SOURCE: CMHC, Statistics Canada, Bank of Canada, The Canadian Real Estate Association.

n.a. Figures not available.

* Annual data is actual. Quarterly and monthly data are seasonally adjusted and annualized (SAAR).

** Annual data is actual. Quarterly and monthly data is seasonally adjusted.

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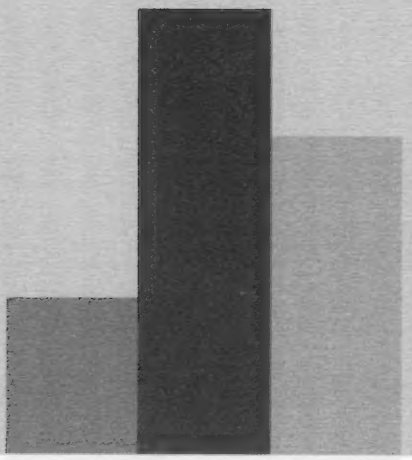

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